89-838

No.

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

CALLAN PINCKNEY and
CALLAN PRODUCTIONS CORPORATION,
Petitioners,

vs.

VALENTE-KRITZER VIDEO,
a joint venture of Arvie Productions
and Pacific Ocean Productions, Inc.,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Does the Supremacy Clause [U.S. Const., Art. VI] preclude a state from permitting a cause of action for fraud based upon an oral promise made with no intention of performing it if federal law provides that the promise is unenforceable unless it is in writing? In particular, may California permit a claim for fraud to be asserted under state law for breach of an oral promise for transfer of copyright ownership notwithstanding the requirement in Section 204(a) of the Copyright Act of 1976 [17 U.S.C. §204(a)] that such a promise must be in writing in order to effect a valid transfer?

LIST OF PARTIES

The parties to this proceeding below were the petitioners (defendants in the trial court) Callan Pinckney and Callan Productions Corporation and the respondent (plaintiff in the trial court) Valente-Kritzer Video, a joint venture of Arvie Productions and Pacific Ocean Productions, Inc.

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IN THE SUPREME COURT OF THE UNITED STATES

October Term 1989

CALLAN PINCKNEY AND CALLAN PRODUCTIONS CORPORATION, Petitioners

vs.

VALENTE-KRITZER VIDEO, a joint venture of Arvie Productions and Pacific Ocean Productions, Inc., Respondents

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

The petitioners Callan Pinckney and Callan Productions Corporation respectfully pray that a writ of

certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered in the above-entitled proceeding on August 4, 1989.

OPINIONS BELOW

The opinion of the Court Appeals for the Ninth Circuit is reported at 881 F.2d 772 and is reprinted in the Appendix, Part C.

The decision of the United States District Court for the Central District of California (Tevrizian, D.J.) has not been reported. The court's statement of uncontroverted facts and conclusions of law is reprinted in the Appendix hereto at pages A-1 to A-9, infra.

JURISDICTION

Invoking the district court's diversity jurisdiction under 28 U.S.C. §1332(a), the respondent brought this civil action in the United States District Court for the Central District of California by complaint filed December 1, 1987. On July 5, 1988, the district court granted respondents' motion for summary judgment and entered judgment against respondent. See Appendix, pages B-1 to B-3, infra.

On respondent's appeal, the United States Court of Appeals for the Ninth Circuit entered a judgment on August 4, 1989, affirming in part and reversing in part the judgment of the district court. Petitioners' petition for

rehearing was denied by order dated August 28, 1989. See Appendix, page D-1, infra.

The jurisdiction of this court to review the judgment of Ninth Circuit is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

Article VI of the United States Constitution provides in part as follows:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State

> shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

Section 204(a) of the Copyright Act of 1976 provides as follows:

> **Execution of transfers of copyright ownership.** (a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

[17 U.S.C. §204(a)]

STATEMENT OF THE CASE

Petitioner Callan Pinckney is the author of a best-selling book entitled Callanetics. Respondent Valente-Kritzer Video ("VKV") is a producer of video programming. In its complaint in the district court, VKV contended that Pinckney and her production company, petitioner Callan Productions Corporation ("Callan Productions"), had entered into an oral agreement[1] whereby VKV was granted an exclusive license to

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[1] Petitioners dispute respondent's contention that they consummated an agreement, oral or otherwise, with respondent. However, for purposes of the motion for summary judgment in the district court, petitioners assumed that the oral agreement existed, any factual disputes regarding its existence being immaterial because the oral agreement was unenforceable in any event.

produce a videocassette version of Pinckney's book Callanetics [Slip Opinion at 8837]. VKV alleged that Pinckney promised to effect the transfer of the exclusive license upon VKV's locating an acceptable producer for the project and VKV's payment of a license fee of $5,000. VKV alleged that pursuant to this oral agreement, VKV and Pinckney agreed to divide equally any royalties resulting from the exploitation of the videocassette version of Pinckney's book [id.].

VKV contended that it arranged for MCA Home Video ("MCA"), a nationally-recognized producer and distributor of home video cassettes, to be the producer of the videocassette version of Callanetics. VKV contended,

however, that Pinckney refused to perform her obligations under the oral agreement but instead proceeded to deal directly with MCA to produce a successful videocassette version of her book [Slip Opinion at 8837].

In the district court, respondent VKV asserted three causes of action against Pinckney and Callan Productions. All three causes of action arose under California state law.[2] Contending that Pinckney and

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[2] Jurisdiction existed in the district court solely by reason of diversity of citizenship among the parties and the amount in controversy. Although this case turns upon proper application of provisions of the federal Copyright Act of 1976, the claims asserted in this action by respondent against the petitioners arose exclusively under California's state laws of contracts and fraud and would, but for the existence of diversity, have been brought in and adjudicated by a state forum.

Callan Productions had wrongfully failed to honor their alleged oral agreement to grant respondent an exclusive license to produce a videocassette version of her copyrighted book, respondent VKV sought damages under theories of (i) breach of contract, (ii) tortious breach of contract arising out of the petitioners' bad faith denial of the existence of that contract, and (iii) promissory fraud. The claim for promissory fraud was based on respondent's allegations that Pinckney orally promised to grant the exclusive videocassette rights in her book to respondent without intending to perform that promise.

Petitioners moved the district court to enter summary judgment in their favor contending that the oral promise which formed the basis of all three causes of action asserted against them (breach of contract, tortious breach contract and promissory fraud) was unenforceable under Section 204(a), Copyright Act of 1976 [17 U.S.C. §204(a)],[3] which provides that a "transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."

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[3] Unless otherwise indicated, all statutory references herein are to the Copyright Act of 1976 [17 U.S.C. §§101 et seq.].

It was undisputed in the district court that petitioners' book Callanetics was subject to federal copyright protection. Since the agreement which formed the basis of respondent's complaint was one for an exclusive license to produce a videocassette version of petitioners' copyrighted book Callanetics, it constituted a "transfer of copyright ownership" i.e., a transfer of the exclusive right to prepare a derivative version of a copyrighted work within the meaning of Section 101 of the Act. Respondent's complaint plainly indicated that respondent was relying upon an oral, rather than a written, agreement to effect such a transfer.

In their motion for summary judgment in the district court, petitioners argued that all respondent's causes of action based upon an oral promise for transfer of copyright ownership were barred by Section 204(a). Petitioners contended that the respondent could not maintain a cause of action under state law for breach of contract, tortious denial of the existence of the contract in bad faith or promissory fraud for entering into the contract without intending to perform it because the alleged contract was oral, whereas federal law [Section 204(a)] required the contract to be in writing to be enforceable. Petitioners argued, inter alia, that the Supremacy Clause precluded a state

from imposing liability for fraud on a copyright owner who had orally promised to transfer copyright ownership without intending to perform the promise, since to do so would thwart and impede federal policy set out in Section 204(a) that such transfers be embodied in a signed writing. The district court agreed and granted petitioners' motion for summary judgment. See Appendix pages B-1 to B-3, infra.

On appeal, the Ninth Circuit affirmed in part and reversed in part. The Ninth Circuit agreed that the oral agreement which respondent sought to enforce was for a transfer of copyright ownership and, being oral, the agreement was unenforceable under Section 204(a) [Slip Opinion at 8838-

8842]. Consequently, the Ninth Circuit concluded that petitioners were entitled to summary judgment on respondent's claims under California state law for breach of contract and for tortious breach of contract because those claims were based upon an alleged oral agreement which federal law required to be in writing [id. at 8842-8843].

However, the Ninth Circuit reversed the district court's entry of summary judgment with respect to respondent's claim under California law for promissory fraud. In its cause of action for fraud, respondent Valente-Kritzer contended that at the time petitioners represented to respondent that they intended to license

videocassette rights in Callanetics to respondent, "defendants [petitioners] had no intention of performing" in accordance with these representations. Although the Ninth Circuit had concluded that respondent's claims for breach of contract and tortious breach of contract under California state law could not go forward because the oral contract relied upon was unenforceable under Section 204(a), the Ninth Circuit nonetheless concluded that respondent's claim under California law for fraud based upon the same unenforceable promise could go forward. The Ninth Circuit reasoned that Section 204(a) did not preempt the respondent's claim for fraud because respondent's claim for fraud was substantively different

from one for copyright infringement [Slip Opinion at 8843-8844]. The Ninth Circuit did not, however, address petitioners' argument that the Supremacy Clause precludes a state from imposing liability for failure to keep an oral promise which federal law requires to be in writing.

REASONS FOR GRANTING THE WRIT

I.

THE NINTH CIRCUIT'S DECISION ALLOWING RESPONDENT TO PURSUE ITS CLAIM FOR FRAUD UNDER STATE LAW CONSTITUTES AN IMPERMISSIBLE INTERFERENCE WITH FEDERAL POLICY EMBODIED IN SECTION 204(a) OF THE COPYRIGHT ACT IN VIOLATION OF THE SUPREMACY CLAUSE.

It is undisputed that in enacting Section 204(a) of the Copyright Act of 1976, Congress enunciated a policy that only transfers of copyright ownership embodied in signed writings would be effective. Section 204(a) was enacted by Congress "to protect copyright

holders from persons mistakenly or fraudulently claiming oral licenses." Eden Toys, Inc. v. Florelee Undergarment Co., Inc., 697 F.2d 27, 36 (2d Cir. 1982). It is thus clear that a contract for transfer of copyright ownership cannot be enforced by any state under its state law of contracts without a signed writing meeting the requirements of Section 204(a). Mellencamp v. Riva Music Ltd., 698 F.Supp. 1154, 1162 (S.D.N.Y. 1988). For a state to permit a cause of action for breach of an oral promise required by federal law to be in writing would be violative of the Supremacy Clause[4] which prohibits states from enacting (by statute or common law) laws which

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[4] U.S. Const., Art. VI.

"interfere with, or are contrary to the laws of Congress." Gibbons v. Ogden, 9 Wheat. 1, 211, 6 L.Ed. 23 (1824). Thus, no state may enact a law which "stands as an obstacle to the accomplishment of the full purposes and objectives of Congress." Silkwood v. Kerr-McGee Corporation, 464 U.S. 238, 248, 104 S.Ct. 615, 78 L.Ed.2d 443 (1984).

The Ninth Circuit's judgment here allowing respondent to pursue a claim under California law for fraud based upon an oral promise for a transfer of copyright ownership directly contravenes Congressional policy embodied in Section 204(a) of the Act "to protect copyright holders from persons mistakenly or fraudulently

claiming oral licenses." Eden Toys, supra. The Ninth Circuit's opinion ignores the important policy of federalism embodied in the Supremacy Clause. As demonstrated in Part II, infra, the Ninth Circuit's opinion creates a conflict among the several States as to the circumstances under which liability may be imposed for failure to honor an oral promise for transfer of copyright ownership; as demonstrated in Part III, infra, the opinion is an invitation to states to fashion doctrines of law which subvert federal requirements that certain transactions be documented in writing to be effective.

II.

THE NINTH CIRCUIT'S DECISION RESULTS IN A SITUATION WHERE LIABILITY MAY BE IMPOSED FOR FAILURE TO KEEP AN ORAL PROMISE FOR A TRANSFER OF COPYRIGHT OWNERSHIP IN SOME STATES BUT NOT IN OTHERS.

It is beyond peradventure that in enacting the Copyright Act of 1976, Congress intended to preempt the area of copyright protection, to abolish the peculiarities of copyright doctrines varying under common law from state to state, and to establish a uniform policy regarding the protection accorded copyrighted works and the licensing of ownership in those works.

> One of the fundamental purposes behind the copyright clause of the Constitution, as shown in Madison's comments in The Federalist, was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States. Today, when the methods for dissemination of an author's work are incomparably broader and faster than they were in 1789, national uniformity in copyright protection is even more essential than it was then to carry out the constitutional intent. Notes of Committee on the Judiciary, House Report No. 94-1476.

The Ninth Circuit's opinion in this case stands as a direct obstacle to the achievement of those goals.

In enacting Section 204(a), Congress intended to draw a bright line between oral negotiations for possible transfer of copyright ownership (which do not convey any copyright interest in the transferee) and a transfer of copyright ownership embodied in a contemporaneous or subsequently-executed writing (which would be effective to transfer the copyright owner's interest referred to in the written instrument of transfer). If allowed to stand, the Ninth Circuit's opinion would thwart the policies underlying Section 204(a) and stand as an invitation to the fifty States to create rules of state law which would circumvent federal policy embodied in that statute.

In this particular case, for example, both the district court and the Court of Appeals correctly concluded that no cause of action could be maintained under California's law of contracts where the alleged contract was oral and where federal law [Section 204(a)] required a signed written instrument to render the contract effective [Slip Opinion at 8838-42]. Likewise, both the district court and the Court of Appeals correctly concluded that the State of California could not impose liability under a tort theory for "bad faith denial of the existence of a contract" where the contract being denied was oral and federal law required it to be in writing [id. at 8842]. The correctness

of these positions seems manifest: surely no State should be allowed to impose liability for breach of an oral promise for transfer of copyright ownership in the face of the direct Congressional articulation of federal policy that only such transfers embodied in signed writings are to be given effect and regarded as valid.

Why, then, should a state be permitted to impose liability on a party alleged to have entered into an oral contract for transfer of copyright ownership without intending to perform his obligations thereunder when federal law clearly provides that he has no such obligations because the alleged

agreement was oral and not written? The Ninth Circuit did not attempt to resolve this question in its opinion.

The Ninth Circuit's opinion here invites each of the fifty States to develop state law doctrines (such as California's doctrine of "promissory fraud") pursuant to which liability could be imposed on copyright owners alleged to have made oral promises for a transfer of copyright ownership, notwithstanding the requirement in Section 204(a), of the Act that such transfers must be embodied in a signed writing to be effective. The inevitable result will be a state-by-state determination of when an oral promise for transfer of copyright ownership could give rise to liability,

all in derogation of the federal policy enunciated in Section 204(a) that only transfers of copyright ownership effected by a signed writing are to be valid.

The manner in which Section 204(a) will be paid heed (or ignored) in differing and varying manners among the several States can be seen from analysis of how various states might treat the type of claim advanced here. California, for example, permits a plaintiff to state a claim for fraud based upon a promise made without any intention of performing it. Section 1710(4), California Civil Code (West's 1989). In California, a claim for promissory fraud may be premised upon an oral promise, even an oral promise

which could not be the basis of contractual liability because it is of a type which must be in writing under California's statute of frauds. Tenzer v. Superscope, Inc., 39 Cal.3d 18, 29-31, 216 Cal.Rptr. 130, 702 P.2d 12 (1985).

In other states, however, there would be no liability imposed on a copyright owner who did not honor an oral promise for transfer of copyright ownership, even where the promise is alleged to have been made without intent to perform. Thus, for example, some states do not permit claims for fraud at all when the alleged deception relates to a future occurrence. E.g., Fowler v. Hilliard, 585 F.Supp. 1320, 1323 (S.D.Ind. 1984) ("actionable fraud

cannot be predicated upon a promise to do a thing in the future, although there may be no intention of fulfilling the promise") (Indiana law); In re Buttendorf, 11 Bankruptcy Rptr. 558, 562 (D.Vt. 1981) ("[a]n action of deceit does not lie for failure on the part of a promisor to perform a promise made by him to do something in the future, which he does not intend to do and subsequently refuses to do, although the promisee has acted in reliance on such promise to his damage") (Vermont law); Federal Deposit Insurance Corp. v. Lattimore Land Corp., 656 F.2d 139, 144 (5th Cir. 1981) ("[t]he general rule is that fraud cannot be predicated upon

statements which are promissory in their nature as to future acts") (Georgia law).

Other states permit a claim based upon promises regarding future acts if the promise is made with no intent of performing it but do not permit an aggrieved party to avoid the statute of frauds merely by alleging that an unkept oral promise was made without intent to perform it if the promise is of a type required to be in writing by a statute of frauds.[5] See, e.g.,

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[5] California formerly followed the rule that that statute of frauds could not be avoided simply by alleging that an oral promise had been made without the intent of performing it. See, e.g., Keely v. Price, 27 Cal.App.3d 209, 215, 103 Cal.Rptr. 531 (1972) and Kroger v. Baur, 46 Cal.App.2d 801, 803, 117 P.2d 50 (1941). However, California abandoned this approach in Tenzer, supra, 39 Cal.3d at 29-31.

Cassidy v. Kraft-Phenix Cheese Corp., 285 Mich. 426, 435, 280 N.W. 814 (1938); American, Inc. v. Bishop, 29 Wash.2d 95, 98, 185 P.2d 722 (1947). Interpreting Pennsylvania law, the Sixth Circuit explained why an unenforceable oral promise could not form the basis for a cause of action for fraud.

> Essentially the trial court concluded that where an alleged oral promise is unenforceable under the statute of frauds, that promise cannot be made the basis for an action in fraud. Indeed, to permit such an action for fraud herein would circumvent

> and thwart the very purpose of the statute of frauds. Glenway Industries, Inc. v. Wheelabrator-Frye, Inc., 686 F.2d 415, 418 (6th Cir. 1982).

Just as clearly, to permit an action under state laws for fraud based on an oral promise for transfer of copyright ownership which is unenforceable under Section 204(a) "would circumvent and thwart the very purpose of the statute..." Yet the Ninth Circuit's opinion allows states to permit such causes of action directly conflicting with the federal policy embodied in Section 204(a) in

violation of the Supremacy Clause which provides that the federal policy, when in conflict with state policy, prevails.

Given the varying ways in which states treat claims for promissory fraud based upon oral promises relating to future occurrences, it thus follows that under the Ninth Circuit's ruling in this case, oral promises for transfer of copyright ownership will have correspondingly varying legal effects among the several States. This result will be directly at odds with federal policy set out in Section 204(a) that such an oral promise does not give rise to a valid claim against the copyright owner. In a state like California -- which permits a claim for

promissory fraud even where the promise is oral and of a nature required to be in writing by a statute of frauds -- an unkept oral promise for a transfer of copyright ownership could be the basis of liability for fraud notwithstanding the federal requirement of a writing for such a promise found in Section 204(a). By contrast, in other states which do not permit claims for promissory fraud based upon unenforceable oral promises -- or which do not permit claims for fraud at all based upon representations regarding future events -- the Congressional intent found in Section 204(a) would be honored even in the face of a claim for fraud. These disparate results from state to state will not only encourage

forum shopping but would totally undermine the Congressional objective of establishing uniform formal requirements for transfers of ownership in federally-protected copyrighted works.

It seems plain that the California legislature could not pass a statute imposing liability under California contract law upon a copyright owner who had allegedly entered into an oral agreement for the transfer of copyright ownership in a copyrighted work. Similarly, California courts may not impose liability upon copyright owners under California tort law as a result of an unkept oral promise for transfer

of copyright ownership, even where the promise is made with no intent of performing it.

Stated differently, a state may not impose tort liability upon a promisor for making a promise without intending to perform it where federal law decrees that the oral promise is unenforceable and that the promisor need not perform it if he does not choose to do so. To permit states to impose liability in such circumstances would permit them to erect obstacles to the accomplishment of the full purposes and objectives of Congress in enacting Section 204(a) of the Act designed to protect copyright holders from mistaken and fraudulent claims of copyright ownership. Imposition of liability by

states in these circumstances where federal law decrees there is to be no liability is violative of the Supremacy Clause.

III.

THE NINTH CIRCUIT'S OPINION PERMITS STATES TO ENACT DOCTRINES WHICH EFFECTIVELY NULLIFY FEDERAL REQUIREMENTS THAT CERTAIN TRANSACTIONS BE EFFECTED BY WRITTEN INSTRUMENTS.

The Ninth Circuit here has rendered a decision which ignores the dictates of the Supremacy Clause and stands as an invitation to the several States to promulgate tort doctrines which might nullify any federal statute

requiring written documentation of transactions. In the instant case, the Ninth Circuit's opinion would allow imposition of liability on a copyright owner based upon an oral promise for transfer of copyright ownership notwithstanding the federal requirement that such transfers must be in writing to be enforceable.

Other federal statutes also require writings to effect certain types of transactions. Patent applications are assignable but only "by an instrument in writing." 35 U.S.C. §261. Claims against the United States may be assigned under certain circumstances where the

assignee files a written notice of the assignment with certain designated officials. 31 U.S.C. §3727(c)(3).

Under the Ninth Circuit's opinion, these federal requirements that certain transactions be documented in writing to be effective could be circumvented through application of state law tort doctrines such as the doctrine of promissory fraud invoked by respondent here. Thus, for example, a party seeking to enforce an oral assignment of a patent application could do so, notwithstanding the federal requirement that such an assignment be in writing, simply by alleging that a party made an oral assignment without intending to perform it. Oral assignments of claims against the United States could also be

rendered effective even in the absence of the written notice of assignment required by 31 U.S.C. §3727(c)(3) if abandonment of the written notice requirement were thought desirable to serve some contrary state interest reflected in that jurisdiction's body of tort law.

Where Congress has enacted legislation requiring written documentation of a specified type of commercial transaction before the transaction will be deemed effective, Congress has enunciated a federal policy that claims of rights pursuant to such transactions which are not documented by the required writings need not be honored. States should not be permitted to create doctrines of

tort law which subvert these federal policies to serve some interest perceived by a particular state to be more important.

The Court should grant certiorari to address this issue and ensure that federal statutes which require written documentation of federally-regulated transactions are not nullified through the acts of state courts and legislatures which may be antagonistic to the federal policies embodied therein.

Dated: November 24, 1989

Respectfully submitted,

Law Offices of
ROSENFELD, MEYER & SUSMAN
By: JAMES L. SEAL

APPENDIX A

FILED JULY 5, 1988
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

VALENTE-KRITZER VIDEO, a joint venture of Arvie Productions and Pacific Ocean Productions, Inc. Plaintiff, vs. CALLAN PINCKEY, an individual, CALLAN PRODUCTIONS CORPORATION, a New York Corporation Defendants.	CASE NO. 87 08000 DT (GHKx) STATEMENT OF UNCONTROVERTED FACTS AND CONCLUSIONS OF LAW [Local Rule 7.14] HEARING DATE: May 31, 1988 TIME: 10:00 AM

Statement of Uncontroverted Facts

1. Plaintiff Valente-Kritzer Video ("Valente-Kritzer") has asserted three causes of actio under California state law against defendants Callan Pinckney and Callan Productions Corporation. These claims are for breach of contract, tortious breach of contract and fraud. In all three causes of action, plaintiff contends that defendants failed to honor their obligations under an oral contract [Complaint ¶8].

2. Under the terms of the alleged oral contract between plaintiff and defendants, defendants are alleged to have granted to plaintiff "exclusively and forever" the right to produce a

video cassette version of Pinckney's book CALLANETICS [Complaint Exh. A, ¶3]. None of the other rights granted to Valente-Kritzer under the alleged oral agreement can be performed by Valente-Kritzer in the absence of a valid transfer to Valente-Kritzer of a license to prepare and exploit a derivative work based on the book CALLANETICS.

3. On December 7, 1984, the book CALLANETICS was registered with the United States Copyright Office as evidenced by Certificate of Copyright Registration TX-1-468-622.

Conclusions of Law

1. A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent. Section 204(a), Copyright Act of 1976 [17 U.S.C. §204(a)].

2. A transfer of copyright ownership includes an exclusive license of any of the exclusive rights comprised in a copyright, whether or not that license is limited in time or place of effect. Section 101,

Copyright Act of 1976 [17 U.S.C. §204(a)].

3. The right to prepare a derivative work based upon a copyrighted work is one of the "exclusive rights comprised in a copyright." Section 106(2), Copyright Act of 1976 [17 U.S.C. §106(2)].

4. A video cassette version of a book is a form in which the book may be recast, transformed or adapted, and as such it is a "derivative work" within the meaning of the Copyright Act of 1976. Section 101, Copyright Act of 1976 [17 U.S.C. ¶101].

5. A state may not, through decisional law or statute, grant damages based upon the right to prepare a derivative work based upon a work

protected by federal copyright law to a plaintiff (other than the legal or beneficial copyright owner itself) who does not have an exclusive license to prepare such a derivative work which complies with federal law, including compliance with Section 204(a) of the Copyright Act. Section 501(b), Copyright Act of 1976 [17 U.S.C. §501(b)]. To do so would constitute an impermissible creation under state law of a right equivalent to the exclusive rights created by federal copyright law, an area which has been preempted by federal law. Section 301(a), Copyright Act of 1976 [17 U.S.C. §301(a)].

6. Plaintiff here is seeking to recover profits earned by defendants as

a result of their preparation and exploitation of a derivative work based on the copyrighted book CALLANETICS. This claim for profits is substantially equivalent to rights afforded to owners and exclusive licensees of copyrighted works [Sections 106(2) and 504(b), Copyright Act of 1976], and thus it is a right which has been preempted by federal saw [id., Section 301(a)].

7. Congress's purpose in requiring a signed written memorandum evidencing the exclusive license of a copyrighted work was to protect copyright owners from mistaken or fraudulent claims or oral licenses. Eden Toys, Inc. V. Florelee Undergarment Co., Inc., 697 F.2d 27, 36 (2d Cir. 1982).

8. A state may not, through decisional law or statute, award damages for failure to keep to oral promise to grant an exclusive license in a work protected by federal copyright law. To do so would create an obstacle to accomplishment of the Congressional objective of protecting copyright owners from mistaken or fraudulent claims of oral licenses and would thus run afoul of the Supremacy Clause [U.S. Const. Art. IV]. Silkwood v. Kerr-Magee Corp., 464 U.S. 238, 248, 104 S.Ct. 615, 78 L.Ed.2d 443 (1984)"

9. Because California law cannot, consistent with the Supremacy Clause, permit a cause of action which is based upon an oral promise which federal law requires to be in writing to be

enforceable, defendants are entitled to summary judgment on plaintiff's first cause of action (for breach of contract), second cause of action (for tortious breach of contract) and third cause of action (for fraud) based on defendants' alleged failure to keep and oral agreement to transfer to plaintiff an exclusive license in a copyrighted work.

DATED: April 21, 1988

ROSENFELD, MEYER & SUSMAN
JAMES L. SEAL
JAMES Y. LEONG

By: /s/ James L. Seal
James L. Seal
Attorneys for Defendants
Callan Pinckney and Callan
Productions Corporation

APPENDIX B

FILED JULY 5, 1988
CLERK, UNITED STATES
DISTRICT COURT
CENTRAL DISTRICT OF
CALIFORNIA

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

VALENTE-KRITZER VIDEO, a joint venture of Arvie Productions and Pacific Ocean Productions, Inc. Plaintiff, vs. CALLAN PINCKEY, an individual, CALLAN PRODUCTIONS CORPORATION, a New York Corporation Defendants.	CASE NO. 87 08000 DT (GHKx) JUDGMENT

Defendants CALLAN PINCKNEY and CALLAN PRODUCTIONS CORPORATION having

moved for entry of summary judgment in their favor pursuant to Rule 56, Federal Rules of Civil Procedure, and it appearing that no genuine issue of material fact exists and that said defendants are entitled to judgment as a matter of law,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment be entered in favor of defendants Callan Pinckney and

Callan Productions Corporation and that said defendants are awarded costs in the amount of $_____.

Dated: July 5, 1988

/s/ Dickran Tevrizian
United States District Judge

SUBMITTED BY:

ROSENFELD, MEYER & SUSMAN
JAMES L. SEAL
JAMES Y. LEONG

By: /s/ James L. Seal
James L. Seal
Attorneys for Defendants
Callan Pinckney and Callan
Productions Corporation

APPENDIX C

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

VALENTE-KRITZER VIDEO, *Plaintiff-Appellant,* v. CALLAN PINCKNEY; CALLAN PRODUCTIONS CORPORATION, *Defendants-Appellees.*	No. 88-6247 D.C. No. CV-87-8000-DT OPINION

Appeal from the United States District Court
for the Central District of California
Dickran M. Tevrizian, District Judge, Presiding

Argued and Submitted
May 1, 1989—Pasadena, California

Filed August 4, 1989

Before: Joseph T. Sneed, Stephen Reinhardt and Melvin Brunetti, Circuit Judges.

Opinion by Judge Sneed

SUMMARY

Copyright, Patent and Trademark

Affirming and reversing in part the district court's grant of summary judgment, the court held that a fraud claim was not preempted by federal copyright laws.

Valente-Kritzer Video (VKV) orally negotiated with Callan Pinckney, author of the book *Callenetics*, for licensing rights.

but Pinckney refused to perform her part of their alleged oral agreement and, instead, she produced the videocassette with MCA Home Video (MCA). VKV filed an action for breach of contract, tortious breach of contract, and fraud. The district court granted Pinckney's motion for summary judgment, holding that federal copyright laws preempted all of VKV's claims.

[1] Federal copyright law bars copyright infringement actions and breach of contract claims based on oral agreements. Thus, the district court correctly held this cause of action must fail. [2] The contract was not severable to show there was an additional agreement regarding finder's fees. [3] Pinckney's counsel's letter discussing revisions was not a memorialization of the alleged oral agreement to validate the alleged transfer of a copyright license. [4] Tortious breach of contract failed also because VKV could not satisfy the prerequisite of the existence of an enforceable agreement. [5] However, common law fraud was not preempted by federal copyright law because of the element of misrepresentation, which is the extra element that changed the nature of the action to protect rights that are qualitatively different from copyright rights.

COUNSEL

Evan S. Cohen, Cohen and Luckenbacher, Los Angeles, California, for the plaintiff-appellant.

James L. Seal, Rosenfeld, Meyer & Susman, Beverly Hills, California, for the defendants-appellees.

OPINION

SNEED, Circuit Judge:

Valente-Kritzer Video (VKV) appeals from the grant of summary judgment in favor of Callan Pinckney and Callan

Production Company (hereinafter collectively referred to as Pinckney) on the grounds that VKV's causes of action were preempted by § 204 and § 301 of the Copyright Act of 1976. We affirm in part and reverse in part.

I.

FACTS AND PROCEEDINGS BELOW

VKV produces video programming for sale and distribution. Callan Pinckney is the author of a best-selling book entitled *Callenetics*. In 1985, VKV offered to produce a home video based on Pinckney's book. VKV alleges that the parties entered into an oral agreement whereby VKV "was given the exclusive right to shop for a home video deal and to negotiate with major home video cassette manufacturer/distributors for the production and distribution of a home-video based upon the book." VKV also asserts that the parties agreed that if VKV secured a producer, Pinckney agreed to transfer the right to co-produce, distribute, and sell the videocassette to VKV. Finally, VKV alleges that the parties agreed to divide the resulting royalties equally.

Pursuant to the agreement, VKV arranged with MCA Home Video, a nationally recognized producer of home videocassettes, to produce the video. Pinckney, however, refused to perform her part of the agreement. Ultimately, Pinckney and MCA agreed to produce the videocassette which was a commercial success.

VKV then filed this action for breach of contract, tortious breach of contract, and fraud. Pinckney moved for summary judgement, arguing that the Copyright Act of 1976 preempted all of VKV's claims. *See* 17 U.S.C. §§ 204, 301 (1982). The district court agreed and VKV appeals. We shall address each of VKV's claims separately, and we affirm in part and reverse in part.

II.

JURISDICTION

The district court had jurisdiction under 28 U.S.C. § 1332(a) (1982). This court's jurisdiction rests on § 1291.

III.

STANDARD OF REVIEW

We review the district court's grant of summary judgment de novo. *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403, 1404 (9th Cir. 1988). We will uphold summary judgment if, after viewing the evidence in the light most favorable to the opposing party, the movant is clearly entitled to prevail as a matter of law. *Id.*

IV.

ANALYSIS

A. *Breach of Contract*

[1] We first address VKV's action for breach of contract. This claim encounters, as VKV concedes, the requirement that a contract transferring an exclusive license in a copyrighted work be in writing. 17 U.S.C. § 204(a)[1]; *see Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982). The right to prepare a derivative work, such as a videocassette based on a copyrighted book, is one of the exclusive rights comprised in a copyright. *See* 17 U.S.C.

[1]The statute provides, in pertinent part:

> A transfer of copyright ownership ... is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed ....

§§ 101, 106(2) (1982). Section 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements. *See, e.g., Liberty Publications, Inc. v. Medical Economics Co.*, 548 F. Supp. 1231, 1233 (E.D. Pa. 1982), *aff'd*, 714 F.2d 123 (3d Cir. 1983). Thus, VKV's breach of contract claim must fail.

1. *Severability of the Promise to Transfer*

To avoid this result, VKV attempts to sever the contract between the parties. The first part that calls for transferring an exclusive license in the copyrighted work, VKV admits, is unenforceable. The second part that promises a "finder's fee" if VKV obtained financing for the video production is enforceable, VKV argues. Promising a "finder's fee" is distinguishable from promising to transfer copyright ownership. Only the latter is covered by 17 U.S.C. § 204(a), VKV argues. VKV invokes California law to support its argument:[2]

> [i]f a claimant alleges two or more promises of performance "that can easily be distinguished and separated by the court by reference to the agreement itself" . . ., only that promise of performance which falls clearly within the statute of frauds cannot be enforced.

White Lightning Co. v. Wolfson, 68 Cal. 2d 336, 345, 438 P.2d 345, 350, 66 Cal. Rptr. 697, 702 (1968) (in bank) (quoting 2 A. Corbin, *Corbin on Contracts* § 133, at 127-28 (1964)); *accord Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1370 (9th Cir. 1987). In *White Lightning*, an employer's promise to repurchase stock from an employee was severable from the employer's promise to reimburse expenses and to pay severance and the employer's share of gross receipts.

[2]Because this is a diversity case, VKV asserts that the language of the contract should be interpreted under California law. *See Gulf Ins. Co. v. L.A. Effects Group, Inc.*, 827 F.2d 574, 576 (9th Cir. 1987).

68 Cal. 2d at 346, 438 P.2d at 351, 66 Cal. Rptr. at 703. While we doubt that a state law's definition of severability can undercut the policy of § 204(a), that question is not before us because we are convinced that no such division of the agreement can occur in this case.

[2] After examining the terms of the contract, it is clear to us that the agreement between the parties embodied only one exchange and one agreement. Under the terms of the oral contract and the terms of the unsigned agreement that supposedly memorialized the oral agreement, Pinckney agreed, in return for VKV's efforts and $5,000, to transfer the exclusive right to prepare the video and to divide the royalties. The only consideration VKV could receive was the transfer and a portion of the royalties that flowed from the transfer. None of the terms of the oral contract or the alleged memorialization of that agreement ever referred to any agreement to pay a finder's fee. VKV's efforts to obtain financing were the consideration furnished by VKV to obtain the transfer and a share of the royalties. The district court correctly concluded that § 204(a) rendered the entire oral agreement unenforceable.

2. *Memorialization of Oral Agreement*

VKV next contends that the correspondence between the parties memorialized the oral agreement. If an oral transfer of a copyright license is later confirmed in writing, the transfer is valid. *See Eden Toys*, 697 F.2d at 36; 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 10.03[A] at 10-34 (1988).

[3] The letter that VKV contends memorialized the agreement between the parties was written by Marc Bailin, an attorney for Pinckney, to Eddie Kritzer. The letter states:

> We revised your agreement and submit copies herewith for your review. Neither Callan Pinckney, nor Mitch Douglas and [sic] Stephen Sultan of ICM

> have had a chance to review this draft, so I must reserve their right to comment. However, in the interest of time (and in light of the pending MCA deal) I wanted to get this to you as quickly as possible.
>
> Please call if you have problems; if everything is okay, we will arrange to get executed copies to you promptly.
>
> Thank you for your cooperation and congratulations on landing the deal.

Not surprisingly, in arguing that this letter memorialized the agreement, VKV emphasizes the last paragraph. The first paragraph, however, undercuts the hint of finality that emanates from the last. In that first paragraph Bailin expressly reserved his client's right to comment on the agreement. This reservation communicates a clear intent not to be bound by the terms of the agreement. Consequently, we hold that the letter and the accompanying agreement were not a memorialization of the oral agreement.

A similar conclusion was reached in *Mellencamp v. Riva Music, Ltd.*, 698 F. Supp. 1154 (S.D.N.Y. 1988). There, Mellencamp argued that a series of letters between his agent and the defendants' attorneys memorialized an oral agreement between the parties. These letters contained provisions reserving the right of the defendant to make any changes in the agreement. Based on these clauses and the fact that the agreements were labelled as "proposals" or "drafts," the court concluded that there was a "mutual lack of intent to be bound absent an executed contract." *Id.* at 1162-65. Further, we note that Bailin alone could not memorialize the agreement between the parties even if he intended to do so, absent Pinckney's signature on the letter or some express authorization from her. *See, e.g., Blanton v. Womancare, Inc.*, 38 Cal.

3d 396, 407, 696 P.2d 645, 652, 212 Cal. Rptr. 151, 158 (1985).

B. *Tortious Breach of Contract*

VKV's second line of argument is that Pinckney tortiously breached the contract between the parties. In order to prove this cause of action the plaintiff must show that the breaching party acted in bad faith and without probable cause in denying the existence of a contract for sale. *Seaman's Direct Buying Service, Inc. v. Standard Oil Co.*, 36 Cal. 3d 752, 770, 686 P.2d 1158, 1167, 206 Cal. Rptr. 354, 363 (1984).

[4] As a necessary prerequisite to establishing a tortious breach, it is necessary to prove, as in the case of an ordinary breach, the existence of an enforceable agreement. VKV cannot satisfy this prerequisite. The right to sue for tortious breach of contract under state law in this case is equivalent to suing for breach of contract for the failure to transfer exclusive rights under § 106 of the Copyright Act. *See Harper & Row, Publishers, Inc. v. Nation Enterprises*, 723 F.2d 195, 201 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985).

C. *Fraud*

VKV's final argument is that the district court improperly held that its claim for fraud was preempted by the Copyright Act. The district court held that VKV's fraud claim is substantially equivalent to the rights afforded to owners and exclusive licensees of copyrighted works under the Copyright Act, and therefore preempted. *See* 17 U.S.C. § 301(a) (1982).[3]

[3]The statute provides, in pertinent part:

> [A]ll legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. . . .

[5] We believe that the district court carried preemption too far in this instance. Tort and contract remedies differ as do their histories and theories. This court has devised a two-part test to determine preemption's reach. *See Del Madera Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 976 (9th Cir. 1987). First, it must be determined whether Pinckney's book *Callenetics* is subject to the Copyright Act. *See id.* Both parties agree that *Callenetics* satisfies this requirement. Second, it must be determined if the state law claim is "equivalent to any of the exclusive rights within the general scope of copyright as specified by" 17 U.S.C. § 106 (1982). 17 U.S.C. § 301(a) (1982). Section 106 grants the copyright owner exclusive rights of reproduction, production of derivative works, distribution, and display. *See* § 106. Thus, "[t]o survive preemption, the state cause of action must protect rights which are qualitatively different from copyright rights. . . . The state claim must have an 'extra element' which changes the nature of the action." *Del Madera Properties*, 820 F.2d at 977 (quoting *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1535 (S.D.N.Y. 1985)). Applying this test, two district courts have held that common law fraud is not preempted by § 301 because the element of misrepresentation is present. *See Tracy v. Skate Key, Inc.*, 697 F. Supp. 748, 751 (S.D.N.Y. 1988); *Brignoli v. Balch Hardy & Scheinman, Inc.*, 645 F. Supp. 1201, 1205 (S.D.N.Y. 1986). This conclusion appears to be consistent with congressional intent. *See* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 132, *reprinted in* 1976 U.S. Code Cong. & Admin. News 5659, 5748 ("[T]he general laws of defamation and fraud, would remain unaffected as long as the causes of action contain elements . . . that are different in kind from copyright infringement.").

In its complaint, VKV does allege the element of misrepresentation that distinguishes this claim from one based on copyright. Under California law misrepresentation is a necessary element of any fraud claim. *See, e.g., Molko v. Holy Spirit Assn.*, 46 Cal. 3d 1092, 1108, 762 P.2d 46, 53, 252 Cal. Rptr. 122, 129 (in bank), *modified*, 47 Cal.3d 470a (1988). VKV

alleges that Pinckney intentionally misrepresented its intent to perform the contract. This is not substantially equivalent to a claim for copyright infringement.

VKV made no unjust enrichment claim. *See Del Madera*, 820 F.2d at 977. Therefore, we express no opinion with respect to any such claim.

AFFIRMED in part and REVERSED in part.

APPENDIX D

FILED, AUG 28, 1989
Cathy A. Catterson,
Clerk
U.S. Court of Appeals

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

VALENTE-KRITZER VIDEO, Plaintiff-Appellant,	)	No. 88-6427
v.	)	DC# DV-87-8000 -DT
CALLAN PINCKEY, CALLAN PRODUCTIONS CORPORATION, Defendant-Appellees.	)	ORDER

Before: SNEED, REINHARDT, and BRUNETTI, Circuit Judges.

Appellee's petition for rehearing is denied.

No.

IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1989

Callan Pinckney and Callan Productions Corporation,
Petitioners,
vs.
Valente-Kritzer Video, et al.
Respondents.

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

Donald A. Johnson, being first duly sworn, deposes and says: I am a citizen of the United States and a resident of or employed in the county aforesaid. I am over the age of 18 years and not a party to the said action. My business address is 3550 Wilshire Boulevard, Suite 916, Los Angeles, California 90010. On this date, I served the within PETITION FOR WRIT OF CERTIORARI on the interested parties in said action by placing three true copies thereof with first-class postage fully prepaid, in the United States post office mailbox at Los Angeles, California, in sealed envelopes addressed as follows:

EVAN S. COHEN, ESQ.
COHEN & LUCKENBACHER
740 N. La Brea Avenue
Los Angeles, CA 90038

That affiant makes this service, for JAMES L. SEAL, Counsel of Record, ROSENFELD, MEYER & SUSMAN, Attorneys for Petitioners herein, and that to the best of my knowledge all the persons required to be served in said action have been served.

Donald A. Johnson

On November 21, 1989, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Donald A. Johnson, known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

Witness my hand and official seal.

OFFICIAL SEAL
Theodore Matsuo Wilden
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My comm. expires NOV 30, 1990

Notary Public in and for
said county and state